

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB SPPACA 13-02 Health Insurance

**SPONSOR(S):** Select Committee on PPACA (Patient Protection and Affordable Care Act); Wood

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Select Committee on PPACA (Patient Protection and Affordable Care Act)	12 Y, 5 N	Calamas	Calamas

### SUMMARY ANALYSIS

The federal Patient Protection and Affordable Care Act (PPACA) imposes extensive requirements on health insurers and health insurance policies including required benefits, rating and underwriting standards, required review of rate increases, and other requirements.

Currently, the Office of Insurance Regulation (OIR) reviews insurer and HMO policy forms and rates and approves the forms and rates before they may be used by an insurer or HMO. Florida's Insurance Code has some provisions that are less restrictive and some provisions that conflict with PPACA. PPACA does not fully preempt Florida law. PPACA provides that it preempts any state law that prevents the application of PPACA. The federal Department of Health and Human Services (HHS) is proposing to enter into a collaborative agreement with OIR to clarify the roles HHS and OIR in the enforcement of PPACA.

The PCB provides:

- The Florida Insurance Code and its rules apply unless a provision of the Code or rule prevents the application of a provision of PPACA.
- Authority for OIR to review of rates health insurers and HMOs for nongrandfathered plans is suspended for two years (grandfathered plans do not have to comply with many of the provisions of PPACA).
- OIR may review health forms (but not rates) and conduct market examinations for compliance with PPACA and inform HHS of possible violations.
- OIR may inform HHS of an insurer's or HMO's noncompliance with PPACA, but may not enforce the provisions of PPACA.
- Authority and guidelines for OIR to collaborate with HHS.
- Authority to the Division of Consumer Services of the Department of Financial Services to respond to complaints by consumers relating to requirements of PPACA.
- Insurers and HMOs must provide a one-time notice to policyholders of nongrandfathered plans that describes or illustrates the estimated impact of PPACA on monthly premiums and file the notice with OIR.
- The notices must be used by OIR and Department of Financial Services to develop a summary of the estimated impact of PPACA on monthly premiums and the summary must be available on their respective websites.

The PCB amends the Florida Insurance Code to avoid direct conflicts with PPACA and to allow grandfathered plans to maintain their grandfathered status. The PCB dissolves the Florida Comprehensive Health Association (FCHA), the state's high risk pool, and provides a procedure to transition its members into other insurance coverage.

The PCB will have an indeterminate fiscal impact on state government.

The PCB is effective upon becoming a law.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Present Situation

##### **Patient Protection and Affordable Care Act (PPACA<sup>1</sup>) – Overview of Insurance Reforms**

The federal PPACA was signed into law on March 23, 2010.<sup>2</sup> Among its sweeping changes to the U.S. health care system are requirements for health insurers to make coverage available to all individuals and employers, without exclusions for preexisting conditions and without basing premiums on any health-related factors. PPACA imposes many insurance requirements including required benefits, rating and underwriting standards, required review of rate increases, reporting of medical loss ratios and payment of rebates, covering adult dependents, internal and external appeals of adverse benefit determinations, and other requirements.<sup>3</sup>

The PCB addresses insurance provisions of PPACA and Florida law that relate directly to the regulation of health insurers and health maintenance organizations (HMOs).

##### **PPACA – Limited Preemption of State Law**

Under the U.S. Constitution's Supremacy Clause, a federal law may preempt state law.<sup>4</sup> Preemption occurs when Congress intentionally enacts legislation that is intended to supersede state law on the same subject.<sup>5</sup> In PPACA, Congress expressed that the federal law preempts state law only to the extent that it prevents the application of a provision of PPACA.

Title I of PPACA, which includes the requirements related to health insurance regulation, contains the following provision:

*No Interference With State Regulatory Authority – Nothing in this title shall be construed to preempt any State law that does not prevent the application of the provisions of this title.*<sup>6</sup>

Though expressed in the negative, PPACA preempts any state law that prevents the application of a provision of PPACA. PPACA effectively allows states to adopt and enforce laws that do not directly conflict with PPACA, but any state law that does conflict will be preempted.<sup>7</sup>

Many of Florida's insurance laws have less restrictive requirements than a comparable provision of PPACA. Even though more restrictive PPACA requirements will control, state enforcement of a less restrictive provision does not *prohibit* an insurer from complying with a more restrictive provision of PPACA and, as such, does not actually prevent the application of a provision of PPACA. In those cases, the more relevant issue is whether the failure of the state to enforce the federal law triggers federal enforcement, which is addressed in a separate provision of PPACA and discussed immediately below. If, however, a state law has the effect of *prohibiting* an insurer from complying with PPACA, then enforcement of that state law would actually prevent the application of a provision of PPACA.

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<sup>1</sup> For the purposes of this analysis, PPACA refers to the federal law enacted as Public Law 111-148, as further amended by the federal Health Care and Education Reconciliation Act of 2010, Public Law 111-152, and any amendments, regulations, or guidance thereunder, issued under those acts. PPACA includes amendments to the Public Health Services Act (PHSA).

<sup>2</sup> P.L. 111-148. On March 30, 2010, PPACA was amended by P.L. 111-152, the Health Care and Education Reconciliation Act of 2010.

<sup>3</sup> Most of the insurance regulatory provisions in PPACA amend Title XXVII of the Public Health Service Act (PHSA), (42 U.S.C. 300gg et seq.).

<sup>4</sup> U.S. Const. art. VI, cl. 2.

<sup>5</sup> See, *West Florida Regional Medical Center v. See*, 79 So.3rd 1, at 15 (Fla. 2012).

<sup>6</sup> PPACA s. 1321(d).

<sup>7</sup> "Preemption and State Flexibility in PPACA" at:

[http://www.naic.org/documents/index\\_health\\_reform\\_general\\_preemption\\_and\\_state\\_flex\\_ppaca.pdf](http://www.naic.org/documents/index_health_reform_general_preemption_and_state_flex_ppaca.pdf).

## **State and Federal Enforcement of PPACA Insurance Requirements; OIR Collaborative Arrangement with U.S. Department of Health and Human Services**

PPACA does not require states to enforce its insurance regulatory provisions. Each state may enforce the requirements of PPACA that apply to health insurance issuers, but if the Secretary of the Department of Health and Human Services (HHS) determines that a state has failed to substantially enforce any such provisions, the Secretary must enforce those provisions.<sup>8</sup> In such case, if HHS determines that a health insurance issuer has failed to meet an applicable requirement (provided the issuer knew of such failure or would have known by exercising reasonable diligence), HHS may impose a maximum civil monetary penalty of \$100 for each day for each individual with respect to which such failure occurs.<sup>9</sup>

Under HHS and its Centers for Medicare and Medicaid Services (CMS), the Center for Consumer Information & Insurance Oversight (CCIIO) oversees the implementation of the provisions of PPACA related to insurance.<sup>10</sup>

CCIIO has concluded that<sup>11</sup> the federal law contemplates states will exercise primary enforcement authority of health insurance issuers to ensure compliance with health insurance market reforms. If a state notifies CMS that it does not have state statutory authority to enforce or that it is not otherwise enforcing one or more provisions of PPACA's insurance requirements, or if CMS determines that the state is not substantially enforcing the requirements, CMS has the responsibility to enforce these provisions in that state. CCIIO has concluded that this responsibility may be met either through a collaborative arrangement with the state or by direct enforcement by CMS. If the state does not enter into a collaborative agreement, CMS will notify health insurance issuers in that state that they must submit policy forms to CMS for review and CMS will notify issuers of any concerns. CMS will also conduct targeted market conduct examinations, as necessary, to respond to consumer inquiries and complaints to ensure compliance, and will work cooperatively with the state to address any concerns. At any time, a state may assume enforcement authority of PPACA standards and CMS will work with the state to ensure an effective transition. As of March 1, 2013, four states (Missouri, Oklahoma, Texas and Wyoming) have notified CMS that they do not have the authority to enforce or are not otherwise enforcing the PPACA provisions.

A letter<sup>12</sup> dated March 12, 2013, to Florida Insurance Commissioner Kevin McCarty from a representative of CMS concludes that the Florida OIR does not have direct enforcement authority for PPACA. The letter proposes to serve as "a means to accomplish HHS's direct enforcement through a collaborative arrangement with the State of Florida." The letter requires OIR to review form and rate filings for compliance with federal requirements, determine instances of noncompliance, attempt to obtain voluntary compliance, and report potential violations to HHS. The letter specifies the details of the collaborative arrangement, as follows:

### **I. COLLABORATIVE ARRANGEMENT**

It is important to both the Office and HHS that the elements of this collaborative arrangement be clearly described and delineated. Under this arrangement, the Office will perform the insurance compliance functions as specified below:

#### **A. Policy Form Review**

The Office will review insurance policy forms for compliance with Florida laws and rules. Further, during that review, the Office will review applicable policy forms for compliance with all federal laws and regulations. If the Office determines that an insurer's form filing

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<sup>8</sup> PHSa s. 2722 (42 U.S.C. s. 300gg-22).

<sup>9</sup> Id.

<sup>10</sup> <http://cciio.cms.gov/index.html>.

<sup>11</sup> <http://cciio.cms.gov/programs/marketreforms/Compliance/index.html>.

<sup>12</sup> Contained in the meeting materials for the March 18, 2013 meeting of the Senate Select Committee on the Patient Protection and Affordable Care Act at: [http://www.flsenate.gov/PublishedContent/Committees/2012-2014/SPPA/MeetingRecords/MeetingPacket\\_2127.pdf](http://www.flsenate.gov/PublishedContent/Committees/2012-2014/SPPA/MeetingRecords/MeetingPacket_2127.pdf).

is not in compliance with the federal laws and regulations and is unable to obtain voluntary compliance, the Office will report potential violations of federal laws and regulations to HHS for appropriate formal enforcement action;

#### **B. Rate Review**

The Office will review insurance policy rates for compliance with all Florida laws and rules and review for compliance with all federal laws and regulations. If the Office determines that an insurer's rate filing is not in compliance with federal laws and regulations and is unable to obtain voluntary compliance, the Office will report potential violations of federal laws and regulations to HHS for appropriate formal enforcement action; and

#### **C. Perform Targeted Market Conduct Exams**

The Office will perform market conduct examinations and investigations as warranted for compliance with all Florida laws and rules. During the examinations or investigations, the Office will review for compliance with federal laws and regulations. If the Office determines that an insurer's operations are not in compliance with federal laws and regulations and is unable to obtain voluntary compliance, the Office will report potential violations to HHS for appropriate formal enforcement action.

This collaborative arrangement does not address, nor does it obligate the Office to perform consumer assistance functions on behalf of HHS. A separate agreement between HHS and the appropriate Florida consumer services agency will be necessary to address consumer assistance issues.

The collaborative arrangement outlined above will become effective March 12, 2013. If the Florida Legislature adopts legislation giving the state direct enforcement authority for provisions consistent with the ACA and other federal laws under title XXVII of the PHS Act, the Office will notify HHS of this development. Until then, this letter will document our collaborative arrangement.

The letter notes that it does not address consumer assistance functions.

PPACA contains provisions specific to the role of HHS and states to review rate increases, addressed in *Review of Insurer Premium Increases*, below.

#### **Grandfathered Health Plans**

PPACA exempts "grandfathered health plan coverage" from many of its insurance requirements (as specified in the summary of the key insurance provisions, below). For an insured plan, grandfathered health plan coverage is group or individual coverage in which an individual was enrolled on March 23, 2010, subject to conditions for maintaining grandfathered status as specified by law and rule.<sup>13</sup> Grandfathered health plan coverage is tied to the individual or employer who obtained the coverage, not to the policy or contract form itself. An insurer may have both policyholders with grandfathered coverage and policyholders with non-grandfathered coverage insured under the same policy form, depending on whether the coverage was effective before or after March 23, 2010.

The conditions for maintaining grandfathered status are specified in the rule. A statement must be included in any health plan materials provided to the insured describing the benefits that the coverage is believed to be a grandfathered health plan within the meaning of PPACA and contact information must be provided for questions and complaints. The health plan must maintain records documenting the terms of the coverage in effect on March 23, 2010, and any other documents necessary to verify its status as a grandfathered health plan.

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<sup>13</sup> PPACA s. 1251; 42 U.S.C. s. 18011; 45 C.F.R. s. 147.140.

A health plan loses grandfathered status, if any of the following changes are made to the plan (among others):

- the elimination of all or substantially all benefits to diagnose or treat a particular condition;
- any increase in a percentage cost-sharing requirement, such as an individual's coinsurance requirement;
- any increase in a fixed-amount cost-sharing requirement other than a copayment, such as a deductible or out-of-pocket limit;
- any increase in a fixed-amount copayment that exceeds a specified (by rule) amount;
- for a group plan, any decrease in the contribution rate by the employer by more than 5 percentage points;
- adding an annual or lifetime dollar limit or reducing such limits.

A health plan does not lose grandfathered status due solely to any of the following reasons (among others):

- one or more individuals enrolled on March 23, 2010 cease to be covered, provided that the health plan has continuously covered someone since that date;
- family members enroll after March 23, 2010, in the grandfathered coverage of an individual;
- new employees enroll after March 23, 2010, in the grandfathered coverage of an employer.

The most significant changes of PPACA take effect for plan years beginning 2014, which are the changes that are expected to have the biggest impact on premiums. Assuming that insurers do not add all newly required benefits to grandfathered health plans or take other actions that cause a plan to lose grandfathered status, the requirement of PPACA to separate claims experience of grandfathered and nongrandfathered health plans will generally insulate grandfathered health plans from the premium impact of the 2014 changes, especially the impact of guaranteed issue requirements that require insurers to offer coverage to all individuals and employers, regardless of their health status. However, the legal authority for insurers to take certain actions to segregate nongrandfathered policies may be effected by certain federal and state laws, which are discussed immediately below.

### **Nonrenewal of Health Insurance Policies; Discontinuance of Policy Forms**

Florida law requires that individual health insurance policies be guaranteed renewable, subject to certain exceptions.<sup>14</sup> One exception is that an insurer may discontinue offering a particular policy form for health insurance coverage in the individual market, but only if the insurer provides 90 days notice of nonrenewal, offers to each individual the option to purchase any other individual health insurance coverage currently being offered, and acts uniformly without regard to any health-status-related factor of enrolled individuals or individuals who may become eligible for such coverage.<sup>15</sup> Substantially the same requirements are provided for group health insurance policies.<sup>16</sup> This Florida law is closely modeled on federal law.<sup>17</sup>

A related Florida law provides that an insurer that discontinues the availability of a policy form must provide 30 days notice to OIR and the insurer is thereafter prohibited from offering the policy form for sale in Florida and prohibited from filing for approval a new policy form providing similar benefits for five years.<sup>18</sup>

### **Small Employers**

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<sup>14</sup> S. 627.6425, F.S.

<sup>15</sup> Section 627.6425(3), F.S.

<sup>16</sup> S. 627.6571, F.S.

<sup>17</sup> 42 U.S.C. 300gg-2(c)(1).

<sup>18</sup> S. 627.410(6)(e), F.S.

Florida law requires health insurers and HMOs to offer coverage to all small employers on a guaranteed-issue basis, as provided in the Employee Health Care Access Act.<sup>19</sup> This requirement and all other provisions in the Florida Insurance Code that apply to small group coverage are based on the definition of “small employer” in this act.<sup>20</sup> In summary, a “small employer” means any person, sole proprietor, self-employed individual, independent contractor, firm, corporation, partnership, or association that is actively engaged in business, has its principal place of business in this state, and employs an average of at least 1 but not more than 50 “eligible employees.” The definition of “eligible employee,” is an employee who works full time and has a normal workweek of 25 or more hours.<sup>21</sup>

Under PPACA, a “small employer” is defined differently than under Florida law.<sup>22</sup> Under federal law, a “small employer” is an employer that employs an average of at least 1 but not more than 100 employees on business days during the preceding calendar year, and employs at least 1 employee on the first day of the plan year. However, PPACA allows states to cap the number of employees at 50. The federal definition of “employee” is simply an individual employed by an employer.<sup>23</sup>

Florida’s definition of small employer includes sole proprietors and other individuals who are not small employers under PPACA. PPACA requirements for individual health insurance coverage would apply to coverage for such individuals. Many requirements of PPACA are the same for individual and small group coverage, but some are not. For example, PPACA requires that for rating purposes that claims experience for all individual, small group, and large group policies to be pooled separately.

Florida’s definition of small employer also includes employers that are considered large employers under PPACA, by only counting “eligible employees” who work at least 25 hours per week. PPACA has some requirements that are the same for small group and large group policies, but some are different. In general, federal law will supercede or preempt state law for many of these requirements, but those determinations may not always be clear and having different definitions of small employer is a further complication for policy administration by insurers.

Since grandfathered health plans are exempt from many of the PPACA requirements, the differing state and federal definition of small employer poses fewer problems, but this issue still arises for provisions of PPACA that apply to grandfathered policies.

### **Key Insurance Provisions of PPACA; Comparable State Insurance Laws**

The PPACA insurance provisions were phased-in beginning in 2010, but the most dramatic changes become effective January 1, 2014. PPACA applies these requirements to “health insurance issuers” which includes both health insurers and HMOs, and applies to both group and individual health insurance coverage, except where otherwise noted. This analysis uses the terms, “health insurers” and “health insurance policies” to include HMOs and HMO contracts, except where a distinction is noted, and includes both individual and group coverage, except where otherwise noted.

The key PPACA insurance provisions and comparable requirements of Florida law are summarized below, grouped in order of the federal law effective dates. As discussed above, if state law requirements are less restrictive and provide less consumer protection than a provision of PPACA, the federal law will control, which applies to most of these provisions. In some cases, Florida law is more restrictive and provides greater consumer protections, in which case state law will control. If a grandfathered health plan is exempt from a PPACA requirement, only the state law applies to such plans.

In still other cases, federal and state laws impose different requirements for similar purposes and the question is which requirements of state law “prevent the application” of a provision of PPACA and are

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<sup>19</sup> S. 627.6699, F.S.

<sup>20</sup> S. 627.6699(3)(v), F.S.

<sup>21</sup> S. 627.6699(3)(h), F.S.

<sup>22</sup> 42 U.S.C. 300gg-91(e)(4).

<sup>23</sup> 29 U.S.C. 1002, as referenced by 42 U.S.C. s. 300gg-91(d)(5).

preempted, which federal and state regulators must determine and may ultimately require a judicial determination or further state or federal legislation to resolve.

The following requirements of PPACA apply to health insurance policies that have plan years beginning on or after September 23, 2010:

#### *Lifetime and Annual Dollar Limits*<sup>24</sup>

Health insurance policies are prohibited from having lifetime limits on the dollar value of essential health benefits. (See *Essential Health Benefits*, below.) Grandfathered health plans are not exempt from this requirement. The federal law also prohibits health insurance policies from having annual limits on the dollar value of essential health benefits that are less than: \$750,000 for plan years beginning on or after 9/23/2010; \$1.25 million for plan years beginning on or after 9/23/2011, or \$2 million for plan years beginning on or after 9/23/2012. For plan years on or after 1/1/2014, no annual limit on the dollar value of essential health benefits is allowed. Individual (but not group) grandfathered health plans are exempt from the annual limit restrictions.

Florida law does not have any comparable requirement that prohibits insurers from imposing annual or lifetime limits, but laws that mandate certain benefits allow or require annual or lifetime dollar limits.<sup>25</sup>

#### *Rescissions*<sup>26</sup>

A health insurer may not rescind (meaning retroactively cancel) coverage except for fraud or intentional misstatement of a material fact, as prohibited by the terms of the policy. The insurer must provide at least 30 days advance written notice of rescission to the policyholder. This does not prohibit retroactive cancellation to the extent that it is due to failure to timely pay required premiums. Grandfathered health plans are not exempt from this requirement.

Florida law provides that for individual health policies, after two years from the issue date, only fraudulent misstatements in the application may be used to void the policy or deny any claim for a loss incurred after the two-year period. Alternatively, the policy may have an incontestability provision that after the policy has been in force for two years, the insurer cannot contest the statements in the application.<sup>27</sup> For group health policies, Florida law provides that in the absence of fraud, all statements made by applicants are deemed representations and not warranties and no statement shall void the insurance or reduce benefits unless contained in a signed, written statement.<sup>28</sup> For HMO contracts, after two years from the issue date, only fraudulent misstatement in the application may be used to void the policy or deny any claim for loss incurred after the two-year period.<sup>29</sup>

#### *Coverage of Preventive Health Services*<sup>30</sup>

PPACA requires coverage without cost-sharing, with certain exceptions, for:

- Services recommended by the U.S. Preventive Services Task Force (except for its current breast cancer screening recommendation, which reverts to prior recommendation);
- Immunizations recommended by the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention;
- Preventive care and screenings for infants, children and adolescents supported by the Health Resources and Services Administration; and

<sup>24</sup> PPACA s. 1001; PHSa s. 2711 (42 U.S.C. s. 300gg-11).

<sup>25</sup> For example, mandatory coverage for autism requires a \$36,000 annual limit and a \$200,000 lifetime limit on such benefits; ss 627.6686 and 641.3198, F.S.

<sup>26</sup> PPACA s. 1001; PHSa s. 2712 (42 U.S.C. s. 300gg-12).

<sup>27</sup> S. 627.607, F.S.

<sup>28</sup> S. 627.657, F.S.

<sup>29</sup> S. 641.31(23), F.S.

<sup>30</sup> PPACA s. 1001; PHSa s. 2713 (42 U.S.C. s. 300gg-13).

- Preventive care and screenings for women supported by the Health Resources and Services Administration.

Grandfathered health plans are exempt from these requirements.

Florida law requires health insurance policies to provide coverage for wellness benefits for children from birth to age 16, which must be exempt from any deductible, including a physical examination, immunizations and laboratory tests consistent with Recommendations for Preventive Pediatric Health Care of the American Academy of Pediatrics, newborn coverage, and newborn hearing screening.<sup>31</sup>

Florida law requires coverage of a mammogram for a woman at specified age levels.<sup>32</sup>

Florida law requires HMOs and health insurers that provide coverage through exclusive providers to provide coverage, without prior authorization, for one annual visit with a contracted OB/GYN.<sup>33</sup>

#### *Adult Dependent Coverage*<sup>34</sup>

PPACA requires policies that provide dependent coverage to extend coverage to adult children until age 26. The policy may not define dependent for purposes of eligibility for dependent coverage other than in terms of the relationship between the child and the dependent (which prohibits such conditions as financial dependency, student status, living at home, or not being married). For plan years beginning before 1/1/2014, a grandfathered group health plan may exclude coverage for an adult child under age 26 who is eligible for other employer-sponsored coverage.

Florida law requires health insurance policies offering dependent coverage to insure a dependent child until the end of the year in which the child reaches the age of 25 if the child is dependent for support and is either living in the household or is a full-time student. The Florida law also requires policies to offer the option to insure a child until the end of the calendar year in which the child reaches the age of 30 if the child is unmarried and does not have a dependent, is either a Florida resident or student, is not provided coverage any other plan, and is not eligible for Medicaid.<sup>35</sup>

#### *Pre-Existing Condition Exclusion for Children Under Age 19*<sup>36</sup>

PPACA prohibits health insurance policies from excluding coverage for a pre-existing condition for children under age 19. As interpreted by rules adopted by HHS, the definition of “preexisting condition exclusion” includes a denial of coverage.<sup>37</sup> Individual (but not group) grandfathered health plans are exempt from this requirement.

The Florida law on preexisting condition exclusions is summarized under the broader prohibitions of PPACA effective for plan years beginning 1/1/2014, below.

#### *Internal and External Review Process*<sup>38</sup>

PPACA requires health insurers to implement an internal appeals and independent external review process. For the internal appeals process, group plans must incorporate the U.S. Department of Labor’s claims and appeals procedures and update them to reflect standards established by the Secretary of Labor. Individual plans must incorporate applicable law requirements and update them to reflect standards established by HHS. These regulations include notice requirements for the initial

<sup>31</sup> SS. 627.6416 (individual), 627.6579 (group), 627.6699(12)(b)4. (small group), and 641.31(30) (HMO), F.S.

<sup>32</sup> SS.627.6418 (individual), 627.6613 (group), 627.6699(12)(b)4. (small group), and 641.31095 (HMO), F.S.

<sup>33</sup> SS. 627.6472(18) (individual EPO), 627.662(9) (group EPO), and 641.31(27) (HMO), F.S.

<sup>34</sup> PPACA s. 1001; PHSa s. 2714 (42 U.S.C. s. 300gg-14).

<sup>35</sup> SS. 627.602 (individual), 627.6562 (group), and 641.31(41) (HMO), F.S.

<sup>36</sup> PPACA s. 1201 (PHSA s. 2704), as amended by s. 2301 of P.L. 111-152.

<sup>37</sup> 45 C.F.R. s. 144.103.

<sup>38</sup> PPACA s. 1001; PHSa s. 2719 (42 U.S.C. s. 300gg-19); 45 C.F.R. s. 147.136.

benefit determination itself, as well as requirements for allowing claimants to appeal an adverse benefit determination to the insurer and the internal review process that insurers must follow.

For the external review process, all plans must comply with applicable state external review processes that, at a minimum, includes consumer protections in the NAIC Uniform Health Carrier External Review Model Act (April, 2010) or with minimum standards established by HHS that are similar to the NAIC model.

Grandfathered health plans are exempt from these federal requirements.

Florida law enacted in 2012 requires individual and group insurance policies to comply with internal grievance procedures of the U.S. Department of Labor (but cited regulations are not the updated version.)<sup>39</sup> The 2012 act also authorized OIR to adopt rules to administer the NAIC Uniform Health Carrier External Review Model Act (April, 2010), which rules have not yet been adopted and must be approved by the Financial Services Commission.<sup>40</sup> The act also provided that the Subscriber Assistance Program, which provided external review determinations on grievances against HMOs and health insurer exclusive provider organizations (and certain other prepaid plans), now applies only to those HMO and insurer plans that meet the requirements of cited federal regulations for status as a grandfathered health plan, unless the plan elects to have all of its policies or contracts subject to applicable internal grievance and external review process by an independent review organization.<sup>41</sup>

Florida law also requires individual health insurance policies to provide a claimant or their provider who has a claim denied as not medically necessary with the opportunity for an appeal to the insurer's physician responsible for medical necessity reviews.<sup>42</sup> HMOs must have an internal grievance procedure meeting specified requirements.<sup>43</sup>

#### *Emergency Room Coverage*<sup>44</sup>

PPACA requires that coverage for emergency services must be provided without prior authorization, regardless of whether the provider is a network provider. Services provided by non-network providers must be provided with cost-sharing that is no greater than that which would apply for a network provider and without regard to any other restriction other than an exclusion or coordination of benefits, an affiliation or waiting period, and cost-sharing. Regulations specify minimum reimbursement that plans must pay a non-network provider for emergency services.<sup>45</sup> Grandfathered health plans are exempt from these requirements.

Florida law requires HMOs to provide coverage without prior authorization for emergency care, based on a determination by a hospital physician or other personnel, provided by either a contract or non-contract provider. Insurers and HMOs may require higher copayments for urgent care or primary care provided in an emergency department and higher copayments for use of out-of-network emergency departments. HMOs must pay non-contract providers specified minimum reimbursement for emergency services. Insurers issuing exclusive provider contracts must cover non-exclusive providers if the services are for symptoms requiring emergency care and a network provider is not reasonably accessible.<sup>46</sup>

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<sup>39</sup> Ch. 2012-44, L.O.F.; ss. 627.602(1)(h) and 627.6513, F.S. These sections subject individual and group policies, respectively, to the Dept. of Labor regulation, 29 C.F.R. s. 2560.503-1, relating to internal grievances. However, this does not incorporate the requirements for internal appeals adopted by HHS in 45 C.F.R. s. 147.136, also adopted by the Dept. of Labor in 29 C.F.R. s. 2590.715-2719.

<sup>40</sup> Section 641.312, F.S.; Also see, ss. 627.602(1)(h) and 627.6513, F.S.

<sup>41</sup> S. 408.7056(15), F.S.

<sup>42</sup> S. 627.6141, F.S.

<sup>43</sup> S. 641.511, F.S.

<sup>44</sup> PPACA s. 1001; PHSA s. 2719A (42 U.S.C. s. 300gg-19A).

<sup>45</sup> 45 C.F.R. s. 147.138(b).

<sup>46</sup> S. 641.513, 631.31(12), and 627.6472, F.S.

## *Primary Care Physicians and OB/GYN Coverage*<sup>47</sup>

PPACA requires a policy that requires policyholders to designate a primary care provider to allow the choice of any participating primary care provider who is available to accept them. For a child, the policy must allow the parent to choose any participating pediatrician. A policy may not require authorization or referral for a female patient to receive obstetric or gynecological care from a participating provider and must treat their authorizations as the authorization of a primary care provider. Grandfathered health plans are exempt from these requirements.

Florida law requires HMOs to give subscribers a choice of a primary physician who is an allopathic physician, osteopath, chiropractor, or podiatrist. A female subscriber may select an OB/GYN as her primary care physician.<sup>48</sup> Florida law requires HMOs and insurers issuing exclusive provider contracts to allow insureds, without prior authorization, to visit a contracted OB/GYN for one annual visit and for medically necessary follow-up care.<sup>49</sup>

The following requirements of PPACA affecting health insurance premiums apply to health insurance policies with plan years beginning on or after 1/1/2010 or 1/1/2011, as specified:

### *Review of Insurer Premium Increases*<sup>50</sup>

For policies with plan years beginning 1/1/2010, PPACA requires HHS, in conjunction with the states, to develop a process for the annual review of unreasonable premium increases for health insurance. The process must require insurers to submit to the state and HHS a justification for an unreasonable premium increase and post it online. Insurers that have a pattern of unreasonable increases may be prohibited from participation in an Exchange. Grandfathered health plans are exempt from this requirement. For policies with plan years beginning 1/1/2014, HHS, in conjunction with the states, must monitor premium increases of health insurance coverage offered through an Exchange and outside an Exchange. Grandfathered policies are exempt from these requirements.

Rules adopted by HHS provide additional details and requirements for the rate review process.<sup>51</sup> The rules require that all rate increases for non-grandfathered plans in the individual and small group market must be filed with the CMS (under HHS), but only those with rate increases of 10 percent or more are subject to CMS review (or those which exceed an applicable state-specific threshold). In determining whether a rate increase is unreasonable, CMS will rely on a state's determination if the state has an effective rate review program, based on specified criteria. As of March 11, 2013, CMS has determined that Florida has an effective rate review program (but only "partially" effective for association plans), and is one of 43 states that have effective rate review programs for all non-association markets.<sup>52</sup>

The rules further provide that when CMS reviews a rate increase of 10 percent or more, it will determine that the rate increase is unreasonable if it is an excessive rate increase, an unjustified rate increase, or an unfairly discriminatory rate increase. The rate increase is an excessive rate increase if it causes the premium charged to be unreasonably high in relation to the benefits provided, based on a consideration of whether the rate increase results in a projected medical loss ratio (MLR) below the federal MLR standard, whether any assumptions on which the rate increase is based are not supported by substantial evidence, and whether the choice or combination of assumptions is unreasonable. The rate increase is unjustified if the insurer provides data that is incomplete, inadequate or does not provide a basis upon which the reasonableness of an increase may be determined. The rate increase is unfairly discriminatory if it results in premium differences between insureds within similar risk categories that are not permissible under applicable state law or, in the absence of such state law, do not reasonably correspond to differences in expected rates.

<sup>47</sup> PPACA s. 1001; PHSa s. 2719A (42 U.S.C. s. 300gg-19A).

<sup>48</sup> S. 641.19(12)(e), F.S.

<sup>49</sup> SS. 627.6472(18) (individual EPO), 627.662(9) (group EPO), and 641.31(27) (HMO), F.S.

<sup>50</sup> PPACA s. 1003; s. 2794 of PHSa (42 U.S.C. s. 300gg-94).

<sup>51</sup> 45 C.F.R. Part 154, as amended by final rules published in 78 F.R. 13406 (Feb. 27, 2013).

<sup>52</sup> [http://cciio.cms.gov/resources/factsheets/rate\\_review\\_fact\\_sheet.html](http://cciio.cms.gov/resources/factsheets/rate_review_fact_sheet.html).

If CMS determines that a rate increase is unreasonable, it does not have authority to disapprove the rate increase, but it will post on its website its final determination and a brief explanation of its analysis.<sup>53</sup> If a health insurer implements a rate increase determined to be unreasonable, the health insurer must prominently post on its website the CMS (or the state's) final determination and other specified information, which must be posted for at least three years.

Separate from the rate review requirements described above, PPACA requires that an Exchange must require health plans seeking certification as qualified health plans to submit a justification of any premium increase prior to implementation. The Exchange must take the information into consideration when determining whether to make the health plan available through the Exchange.<sup>54</sup>

Florida law requires that for individual and small group policies, health insurers must file rates for approval with OIR. Rates for large group policies are not subject to filing or approval by OIR.<sup>55</sup> Rate filings must be submitted at least 30 days prior to use, and the filing is deemed approved unless OIR disapproves the filing within 30 days, unless extended up to an additional 15 days. In practice, insurers may waive the deemer provision. OIR must disapprove the rate filing if the policy provides benefits that are unreasonable in relation to the premium charged, based on specified factors, or contains provisions that apply rating practices that result in unfair discrimination.<sup>56</sup> (See Florida law under *Medical Loss Ratio* below.) Rate filings are prohibited from applying specified rating practices and, as authorized, the Financial Services Commission has adopted rules specifying procedures to be used in ascertaining the reasonableness of benefits in relation to premium rates.<sup>57</sup> Health insurers subject to rate filing requirements must make an annual rate filing or file a certification that benefits are reasonable in relation to premiums currently charged. Similar requirements apply to rate filings for HMOs.<sup>58</sup>

#### *Medical Loss Ratio; Payment of Rebates*

Effective for plan years beginning 1/1/2011, PPACA requires health insurers to report to HHS information concerning the percent of premium revenue spent on claims for clinical services and activities (medical loss ratio or MLR). Insurers must provide a rebate to consumers if the MLR is less than 85 percent in the large group market and 80 percent in the small group and individual markets. Grandfathered health plans are not exempt from this requirement.

Florida law requires as a condition of prior approval of rates by OIR, that the projected minimum loss ratio for small group and individual policies is 65 percent.<sup>59</sup> Rebates are not required if the MLR is not met. The calculation of MLR is not consistent with federal regulations.

The most significant insurance requirements of PPACA apply to health insurance policies that have plan years beginning on or after January 1, 2014, as follows:

#### *Guaranteed Availability of Coverage<sup>60</sup>*

PPACA requires health insurers to accept every individual and every employer that applies for coverage, commonly referred to as offering coverage on a guaranteed issue basis. However, insurers may limit enrollment to open or special enrollment periods, as specified by HHS rules. Insurers that offer coverage through a network plan may limit enrollment based on network adequacy, under certain conditions. Insurers may deny coverage if it has demonstrated to the applicable state authority, if required, that it does not have the financial reserves necessary to underwrite additional coverage and is

<sup>53</sup> <http://companyprofiles.healthcare.gov/>.

<sup>54</sup> PPACA s. 1311(e).

<sup>55</sup> SS. 627.410(6)(a) and (c), F.S.

<sup>56</sup> SS. 627.411(1)(f) and (2), F.S.

<sup>57</sup> SS. 627.410(6)(b) and (d); 69O-149, F.A.C.

<sup>58</sup> S. 641.31(3); 69O-194.054, F.A.C.

<sup>59</sup> S. 627.411(3)(a), F.S.

<sup>60</sup> PPACA s. 1201; PHSA s. 2702 (42 U.S.C. s. 300gg-1).

applying this uniformly to all employers and individuals consistent with applicable state law and without regard to the claims experience or health status of any individual or employer.

As required by HHS rules,<sup>61</sup> insurers must have open enrollment periods the same as required for coverage offered through a Health Insurance Exchange. For individual coverage, the initial open enrollment period is from October 1, 2013, through March 31, 2014. For each year thereafter, the open enrollment period is October 15 through December 7. In addition, for individuals with non-calendar-year policies, a one-time limited open enrollment period must be provided for 30 days prior to the date the policy year ends in 2014, (the intention being to transition all individuals to calendar-year policies). Insurers must provide special enrollment periods for individuals for many situations, such as losing minimum essential coverage, losing group coverage, gaining a dependent through birth or marriage, among others. For group coverage, insurers must provide year-round open enrollment, except for small employers who are unable to meet the insurer's minimum contribution or minimum participation requirements, pursuant to state law, for which the open enrollment period may be limited to November 15 through December 15.

Grandfathered health plans are exempt from these requirements.

Florida law does not require guaranteed issue of coverage to all individuals, but it provides for guaranteed availability of coverage for individuals who lose group coverage. These provisions of Florida law were enacted in 1997 to conform to federal HIPAA requirements.<sup>62</sup> The primary requirement is that the former group insurer must offer an individual conversion policy, the premium for which cannot exceed 200 percent of the standard risk rate.<sup>63</sup> For persons who lose group coverage but are not eligible for a conversion policy, such as an individual who was covered under a self-insured plan, a health insurer that offers individual coverage must offer that person their two most popular individual products, by premium volume in the state.<sup>64</sup>

Florida law also requires small group carriers to offer coverage on a guaranteed issue basis to all small employers, including sole proprietors.<sup>65</sup> For sole proprietors, the offer of coverage may be limited to a one-month open enrollment period in August. Small group carriers must offer a standard and basic policy containing specified minimum benefits.

#### *Non-Discrimination Based on Health Status<sup>66</sup>*

PPACA prohibits an insurer from establishing rules for eligibility based on any of the following health status-related factors: health status, medical condition, claims experience, receipt of health care, medical history, genetic information, disability, evidence of insurability (including conditions arising out of domestic violence), or any other health-status related factor deemed appropriate by HHS. Grandfather health plans are exempt from these requirements.

Florida law, for individual policies, does not prohibit insurers from medically underwriting or denying coverage based on health-related factors, other than for persons who lose group coverage as summarized above. Small group carriers are prohibited from establishing rules for eligibility based on health-status related factors.<sup>67</sup> For all group policies, rules for eligibility of employees may not be based on health-status related factors.<sup>68</sup>

#### *Pre-Existing Condition Exclusions<sup>69</sup>*

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<sup>61</sup> Final rules published in 78 F.R. 13406 (Feb. 27, 2013) and 77 F.R. 18310 (March 27, 2012).

<sup>62</sup> Chapter 97-179, L.O.F.

<sup>63</sup> S. 627.6675, F.S.

<sup>64</sup> S. 627.6487, F.S.

<sup>65</sup> S. 627.6699, F.S.

<sup>66</sup> PPACA s. 1201; PHSa s. 2705 (42 U.S.C. s. 300gg-4).

<sup>67</sup> S. 627.6699, F.S.

<sup>68</sup> S. 627.65625, F.S.

<sup>69</sup> PPACA s. 1201; PHSa s. 2704 (42 U.S.C. 300gg-3).

PPACA prohibits health insurance policies from excluding coverage for any pre-existing condition. Individual (but not group) grandfathered health plans are exempt from this requirement.

Florida law prohibits individual health policies from excluding preexisting conditions for more than 24 months and may relate to conditions that manifested themselves during the 24-month period.<sup>70</sup> Individual health policies may exclude coverage for named or specific conditions without any time limit.<sup>71</sup>

Florida law prohibits group policies from excluding preexisting conditions for more than 12 months, or 18 months in the case of a late enrollee and may only relate to conditions that manifested themselves during the 6-month period prior to coverage. Prior creditable coverage reduces the exclusion period.<sup>72</sup>

### *Essential Health Benefits and Levels of Coverage*<sup>73</sup>

PPACA requires coverage offered in the individual and small group markets to provide the following categories of services (essential health benefits package):

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance abuse disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

States were provided the opportunity to select a benchmark plan among various options that reflected the scope of services offered by a “typical employer plan.” Florida did not make a selection, resulting a default to a benchmark plan which is the small group plan with the largest enrollment in the state. A benchmark plan must be supplemented, if necessary, to cover all categories of essential benefits. States may mandate additional benefits but must defray the expenses of enrollees for the additional cost of these benefits.

Insurers must offer the following levels of coverage in the individual and small group markets:

- Bronze level -- provides benefits that are actuarially equivalent to 60% of the full actuarial value of benefits under the plan.
- Silver level -- provides benefits that are actuarially equivalent to 70% of the full actuarial value of benefits under the plan.
- Gold level -- provides benefits that are actuarially equivalent to 80% of the full actuarial value of benefits under the plan.
- Platinum level --provides benefits that are actuarially equivalent to 90% of the full actuarial value of benefits under the plan.
- Catastrophic coverage – Limited to adults under age 30 or individuals who are exempt from the individual mandate because affordable coverage is not available or they have a hardship exemption.

Grandfathered health plans are exempt from these requirements.

Florida law mandates coverage of numerous benefits, services, and providers of services. However, there is no mandated essential health benefit plan.

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<sup>70</sup> S. 627.6045, F.S.

<sup>71</sup> S. 627.607(2), F.S.

<sup>72</sup> S. 627.6561, F.S.

<sup>73</sup> PPACA s. 1302; PHSA s. 2707 (42 U.S.C. 300gg-6).

### *Rating and Underwriting Standards<sup>74</sup>*

PPACA requires that premiums for individual and small group policies may vary only by:

- Age, up to a maximum ratio of 3 to 1. This means that the rates for older adults cannot be more than three times greater than the rates for younger adults.
- Tobacco, up to a maximum ratio of 1.5 to 1
- Geographic rating area
- Whether coverage is for an individual or a family

The claims experience of all individual policies and all small group policies, respectively, must be pooled together for rating purposes. States may require that individual and small group policies be pooled together.

Grandfathered health plans are exempt from these requirements.

Florida law does not specify factors that may be used for individual coverage, but pursuant to rules, insurers are allowed to use age, gender, family composition, area by county, and tobacco usage. Carriers may also surcharge or “rate up” based on health status. The claims experience of all policies providing similar benefits must be pooled together for rating purposes.

For small group coverage, Florida law requires the use of rating factors based on gender, age, family composition, tobacco usage, and geographic area. In addition, premium adjustments of plus or minus 15 percent of the approved rate are allowed for claims experience, health status, and duration of coverage. The claims experience of all policies providing similar benefits must be pooled together, except that policies covering fewer than two employees may be separately pooled.

### *Coverage for Clinical Trial Participants<sup>75</sup>*

PPACA prohibits an individual or small group plan from denying a qualified individual from participating in an approved clinical trial; denying or limiting conditions on the coverage of routine patient costs for items and services provided in connection with the trial; and discriminating against qualified individuals on the basis of such participation. Grandfathered health plans are exempt from this requirement.

### *Temporary Reinsurance Program for the Individual Market<sup>76</sup>*

PPACA requires each state or HHS to establish a temporary reinsurance program for plan years beginning in 2014-2016. The goal of the program is to stabilize premiums by partially offsetting claims for high-cost individuals in nongrandfathered plans for the first three years of the exchange operations.

Insurers and third-party administrators of self-insured plans must make payments to the reinsurance entity. Nongrandfathered, individual market insurers that cover high-risk individuals will receive payments from the entity if they cover high-risk enrollees in the individual market.

States may: 1) operate its own program and collect from the fully insured market and allow HHS to collect contributions from the self-insured market; or 2) operate its own program including the payment function, and defer all collection duties to HHS. If the HHS operates a state’s reinsurance program, HHS will collect all contributions and perform payment functions. Florida is not operating a temporary reinsurance program.

### *Temporary Risk Corridors for Plans in the Individual and Small Group Market<sup>77</sup>*

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<sup>74</sup> PPACA s. 1201; PHSA s. 2701 (42 U.S.C. 300gg).

<sup>75</sup> PPACA s. 1201; PHSA s. 2709 (42 U.S.C. 300gg-8).

<sup>76</sup> PPACA s. 1341.

PPACA requires HHS to establish and administer a risk corridor program for 2014-2016 based upon the risk corridor program for Medicare Prescription Drug Plans. Plans will receive payments if their ratio of nonadministrative costs, less any risk adjustment and reinsurance payments, to premiums, less administrative costs, is above 103 percent. Plans must make payments if that ratio is below 97 percent.

### *Risk Adjustment*<sup>78</sup>

PPACA requires each state to assess health plans if the actuarial risk of all of their enrollees in a state is less than the average risk of all enrollees in fully-insured plans in that state and make payments to health plans whose enrollees are have an actuarial risk that is below the average actuarial risk in that state.

HHS, in consultation with the states, shall establish criteria and methods for these risk adjustment activities, which may be similar to those for Medicare Advantage plans and Prescription Drug Plans.

### **Premium Impact of PPACA**

The most significant requirements of PPACA become effective for plan years beginning on January 1, 2014, which are the requirements that are expected to have the largest impact on average premiums. The primary drivers of increased average premiums due to PPACA are:

- **Guaranteed issue and related requirements** – The requirement of PPACA for insurers to accept every individual and employer who applies for coverage will allow persons with health conditions requiring expensive medical care to obtain coverage who are currently unable to obtain coverage, due to their health status, or who currently pay a premium surcharge due to an identified health condition. This premium impact is affected by the related PPACA requirements that insurers may not exclude coverage for any preexisting condition and may not use health status as a factor in establishing rates. To some extent the upward impact will be reduced due to the individual coverage mandate, which will attract healthier individuals who prefer to obtain coverage rather than pay the fee (tax). The upward impact on average premiums will also be partially offset by attracting healthier persons due to the premium subsidies for eligible persons, based on income level, for coverage through the Exchange.
- **Actuarial Value** – PPACA requires insurers in the individual and small group market to offer plans meeting required actuarial levels, the lowest of which (other than the catastrophic plan for eligible individuals) is the bronze level plan, which must provide benefits that are actuarially equivalent to 60% of the full actuarial value of benefits under the plan. This requirement limits the amount of the deductible, co-payment, and other out-of-pocket expenses that can be imposed on the policyholder. This will have the largest impact on policies which currently have large deductibles and other large out-of-pocket expense provisions.
- **Essential Health Benefits** – All policies in the individual and small group market must cover essential health benefits which will impact premiums due to adding benefits for maternity care, prescriptions drugs, behavioral health, habilitative services, pediatric dental, and other essential health benefits that may not be covered or fully covered under current policies. Certain other benefits were required for policy years beginning after September 23, 2010, for which premiums should already reflect the impact.
- **Fees and Assessments** – PPACA imposes a health insurance industry fee, a temporary reinsurance assessment, a fee for covering operation of the Exchange, and a fee for funding patient-centered outcomes research, that will directly impact premiums, as well as taxes on certain medical devices likely to be passed on to patients and insurers. Offsetting the temporary reinsurance assessment are reinsurance credits that an insurer may receive for covering high-risk individuals.
- **Age and Gender** -- In addition to requirements that affect average premiums are the rating reforms that affect a particular individual's premium due to their age and gender. By limiting age

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<sup>77</sup> PPACA s. 1342.

<sup>78</sup> PPACA s. 1343.

factors for adults to a maximum ratio of 3 to 1, younger adults will have higher premiums and older adults will have lower premiums, due solely to this factor. The requirement that insurers may not use gender as a rating factor is expected to result in higher premiums for younger males and older women, and lower premiums for older men and younger females, due solely to this requirement.

## **Consumer Assistance and PPACA**

The Division of Consumer Services (division) of the Department of Financial Services (DFS) is charged with this responsibility pursuant to s. 20.121(2)(h), F.S. For any product or service regulated by DFS or OIR, such as health insurance policies or HMO contracts regulated by OIR, the division is required to:

- receive inquiries and complaints from consumers;
- prepare and disseminate such information as it deems appropriate to inform or assist consumers;
- provide direct assistance and advocacy for consumers who request such assistance or advocacy; and
- with respect to apparent or potential violations of law or rules by a person licensed by DFS or OIR (such as a health insurer or HMO), report such apparent or potential violation to the appropriate division of DFS or OIR for further action.

Additionally, an insurer issued a certificate of authority by OIR (and other licensees) is required to respond, in writing, to the division within 20 days after receipt of a written request from the division for information concerning a complaint.

The statutory duties of the division related to providing information, assistance, and advocacy to consumers and requiring written responses from insurers are not expressly limited to complaints concerning violations of state insurance laws and may give discretion to DFS to determine whether any of those functions are appropriate for PPACA-related complaints. However, the requirement to report potential violations of law to OIR or DFS would reasonably be limited to laws that OIR or DFS have authority to enforce and there is no reference to reporting violations to any federal agencies.

## **Florida Comprehensive Health Care Association (FCHA)**

The FCHA is Florida's high-risk pool for individuals who are unable to obtain health insurance, due to their health status. The FCHA, formerly named the State Comprehensive Health Association, was created in 1982.<sup>79</sup> About 7,500 individuals were insured with the FCHA in 1991, but due to increasing losses, legislation that year closed the FCHA to new enrollment, but allowed existing insureds to renew coverage. At the end of 2012, there were 170 individuals insured with the FCHA.

The FCHA is organized as a not-for-profit entity. All health insurers, as a condition of doing business, must be members of the association. The FCHA is governed by a three-member board of directors appointed by Chief Financial Officer and regulatory oversight is provided by OIR.

The FCHA is funded through a combination of premiums paid by FCHA policyholders and an assessment on all health insurers and HMOs in the state to cover FCHA operating losses. The annual assessment on health insurers is based on the earned premiums of the insurers.<sup>80</sup> FCHA policyholder premiums are based on commercial standard risk rates as determined by OIR and are set at 200%, 225% and 250% of the individual market standard risk rate, depending on the level of risk.<sup>81</sup>

For 2012, premiums paid by FCHA members were \$1,252,788 compared to claims of \$1,700,473. The operating loss of the association and the related insurance industry assessment for 2012 was

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<sup>79</sup> SS. 627.648-627.6498, F.S. is cited as Florida Comprehensive Health Association Act.

<sup>80</sup> S. 627.6492, F.S.

<sup>81</sup> S. 627.6498, F.S.

\$810,539. The operating loss and the resulting insurance industry assessment for 2011 was \$2,245,828.<sup>82</sup>

## **Florida Health Insurance Plan**

In 2004, the Legislature created the Florida Health Insurance Plan (Plan).<sup>83</sup> The Plan was intended to replace the FCHA as the State's high risk insurance pool. The Board of the Plan may not implement the Plan until funds are appropriated for startup costs and any projected deficits.<sup>84</sup> These funds have never been appropriated and so the Plan is not in operation.

## **Effect of Proposed Changes**

### **State Law Recognition of PPACA's Limited Preemption of State Law**

The PCB creates a statute in the Florida Insurance Code<sup>85</sup> providing that a provision of the Code or rule adopted pursuant to the Code applies unless such provision or rule prevents the application of a provision of PPACA, defined as including regulations adopted pursuant to PPACA. This is substantially the same preemption provision that is included in PPACA. This provision will allow OIR to rely on a state law, rather than, or in addition to, federal law, to make a determination that a provision of the Florida Insurance Code is preempted and not legally enforceable.

### **Authorization for OIR and DFS to Enter Into a Collaborative Arrangement with HHS**

The PCB statutorily authorizes OIR, when reviewing forms filed by health insurers or HMOs (insurers) and when performing market conduct examinations or investigations of such insurers, for compliance with state law, to also review or examine for compliance with PPACA. If OIR determines that a form or the insurer's operations do not comply with PPACA, OIR must notify the insurer of the determination. If the form ultimately used by the insurer does not comply with PPACA, or the insurer does not take action to comply with PPACA, OIR may report such potential violation to HHS.

This statutory authorization differs from the collaborative arrangement described in the March 12, 2013 letter from HHS to the Florida Insurance Commissioner in the following respects:

- It does not authorize OIR to review rates for compliance with PPACA (and makes no reference to OIR's authority to review rates for compliance with state law, which the PCB substantially revises).
- It expressly requires OIR to notify the insurer of its determination of a violation of PPACA and does not refer to OIR being "unable to obtain voluntary compliance."
- It authorizes OIR review for compliance with PPACA, rather than "all federal laws and regulations."
- It authorizes the Division of Consumer Services of DFS to take certain actions related to consumer complaints related to PPACA, as described below.

As expressly provided, a determination made by OIR or DFS regarding an insurer's compliance with PPACA would not be a determination that affects the insurer's substantial interests for purposes of chapter 120, F.S., and, therefore, would not provide the insurer with a right to an administrative hearing. Given that OIR's authorized actions after a determination are limited to notifying HHS, and that DFS's authorized actions are limited to its current consumer assistance functions and notifying HHS, it is uncertain whether a right to an administrative hearing would be triggered in the absence of this

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<sup>82</sup> Florida Comprehensive Health Association data, on file in committee.

<sup>83</sup> Ch. 2004-297, s. 21, L.O.F.

<sup>84</sup> S. 627.64872(6), F.S.

<sup>85</sup> As specified in s. 624.01, F.S., the Florida Insurance Code consists of chapters 624-632, 634, 635, 636, 641, 648, and 651, F.S.

provision. Any subsequent imposition of civil monetary penalties by HHS against an insurer is subject to federal administrative hearing rights.<sup>86</sup>

### **Temporary Rate Review Suspension for Nongrandfathered Health Plans**

The PCB suspends the requirement that OIR approve rates for health insurers and HMOs (insurers) filed with OIR for nongrandfathered health plans for plan years 2014 and 2015. Insurers would still be required to file rates and rate changes for nongrandfathered health plans with OIR prior to use, as required by s. 627.410(6)(a), F.S. However, such rates could be used without OIR approval and the rate filing and rates would be exempt from:

- s. 627.410(2) and (6)(c), F.S., which specifies procedures for OIR approval or disapproval;
- s. 627.410(6)(b), which authorizes the Financial Services Commission to adopt rules for procedures to be used in ascertaining the reasonableness of benefit in relation to rates;
- s. 627.410(6)(d), which prohibits specified rating practices;
- s. 627.410(7), which requires an annual rate filing or an actuarial certification that benefits are reasonable in relation to rates;
- provisions of s. 627.411 which apply to rates, rating practices, or the relationship of benefits to the premium charged. This section provides grounds for OIR to disapprove both forms and rates, so the exemption would be limited to those provisions related to rates.

These rating law changes are repealed on March 1, 2015, and the law will revert to the current requirement for insurers to file rates for approval with OIR for nongrandfathered plans for plan years 2016 and thereafter.

Insurers will remain subject to the requirements of PPACA to file rate changes with CMS (HHS) for nongrandfathered health plans, subject to CMS review and determination of whether the rate increase is unreasonable. It is likely that CMS would no longer consider Florida as having an effective rate review program and would not rely on OIR to make this determination.

Grandfathered health plans are not subject to the PPACA rate filing requirements and would remain subject to the current Florida law requirements for filing rates for approval with OIR and all other current requirements for health insurance rates.

### **Transparency Notice of PPACA Premium Impact**

The PCB requires that insurers and HMOs (insurers) provide a notice to policyholders of nongrandfathered plans that describes or illustrates the estimated impact of PPACA on monthly premiums. This notice will be required one time, when the policy is issued or renewed on or after January 1, 2014. The notice must also be submitted to OIR for informational purposes by September 1, 2013, and OIR, in consultation with DFS, must develop a summary of the estimated impact of PPACA on monthly premiums as contained in the notices. The summary must be available on their respective websites by October 1, 2013.

The notice must be in a format established by rule by the Financial Services Commission. The information in the notice must be based on the statewide average premium for the bronze, silver, gold, or platinum level plan, whichever is applicable to the policy, and provide an estimate of specified effects of the following PPACA requirements:

- the dollar amount of the premium attributable to the impact of guaranteed issuance of coverage;
- the dollar amount of the premium attributable to fees, taxes, and assessments;
- for individual policies, the dollar amount of the premium increase or decrease attributable to the combined impact of the age and gender rating requirements of PPACA, shown for specified age brackets for males and females;
- the dollar amount attributable to the requirement to cover essential health benefits and to meet a required actuarial value, as compared to the statewide average premium for the policy that has the highest enrollment in the individual or small group market, whichever is applicable.

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<sup>86</sup> 45 C.F.R. Part 150.

## **Grandfathered Health Plan Preservation**

The PCB makes changes that would allow or require insurers to take certain actions that would preserve the status of grandfathered health plans.

The bill defines “grandfathered health plan” as having the same meaning as that term is defined in 42 U.S.C. s. 18011, subject to the conditions for maintaining grandfathered status as established by HHS rules in 45 C.F.R. s. 147.140. So, a policy considered a grandfathered health plan under PPACA would also be a grandfathered health plan under state insurance law.

The bill defines “nongrandfathered health plan” as a health insurance policy or HMO contract that is not a grandfathered health plan and does not provide the benefits or coverages specified under s. 627.6561(5)(b)-(e). Those benefits and coverages include hospital indemnity or other fixed indemnity insurance, accident-only coverage, specified disease coverage, disability income insurance, limited scope dental or vision coverage, Medicare supplement coverage, long-term care or nursing home coverage, and other specified limited benefit coverages. These types of coverage are substantially the same types of coverage that are excluded from the federal definition of “health insurance coverage” subject to the requirements of PPACA.<sup>87</sup>

If a policy form covers both grandfathered health plans and nongrandfathered health plans, the PCB allows an insurer to non-renew coverage only for all of the nongrandfathered health plans, subject to the requirement to provide at least 90 days’ notice and to offer each of those policyholders the option to purchase any other individual health insurance coverage offered by the insurer. The federal law<sup>88</sup> requiring guaranteed renewability of coverage, on which the Florida law was modeled as part of the 1997 act conforming to HIPAA, does not recognize this exception and this amendment to the Florida law may be preempted. However, it may also be argued that under federal law, the specific provisions of PPACA requiring preservation of existing coverage for grandfathered health plans allow for this exception.

The PCB allows an exception to the current law that prohibits an insurer from filing for approval a new policy form providing benefits similar to a policy form that the insurer discontinues. The exception would be for a policy form that is discontinued because it does not comply with PPACA. An insurer that discontinues a form that does not comply with PPACA would not be prohibited by Florida law from filing or issuing a new policy form.

The PCB requires that the claims experience for grandfathered health plans be separated from nongrandfathered health plans for rating purposes, which is also required by PPACA.

### **Definitions of “Small Employer” for Grandfathered and Nongrandfathered Health Plans**

The PCB provides two different definitions of “small employer” – one for grandfathered plans, which is the current law definition, and one for nongrandfathered plans, which is the same as the federal definition used for PPACA.

The effect of this change, for nongrandfathered plans only, is to apply state law requirements for small group coverage to small employers, as defined under PPACA, and is to no longer apply any state law that applies to small group coverage to an employer who is not a small employer under the federal definition. That is, insurers who issue nongrandfathered coverage to sole proprietors, or to employers who have more than 50 employees but are considered a small employer under current Florida law (due to hours worked per week), or to any other employer that is not a small employer under federal law,

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<sup>87</sup> See, definitions of “health insurance coverage”, “individual health insurance coverage”, and “excepted benefits” in 42 U.S.C. s. 300gg-91.

<sup>88</sup> 42 U.S.C. s. 300gg-2(c)(1).

would no longer be subject to any requirement of Florida law that applies to small group coverage. These employers would either be considered individual policyholders or large group policyholders under Florida law, as they are under PPACA, and be subject to Florida laws that apply to individual coverage or large group coverage.

Even though Florida law and PPACA will continue to have different requirements for individual, small group, and large group coverage, and determinations must be made as to which Florida laws are preempted, the additional complication of differing definitions of small employer will be eliminated for nongrandfathered policies. This will enable insurers to more easily comply with requirements of PPACA that are different for individual, small group, and large group policies, such as pooling of claims experience and MLR refunds, for nongrandfathered policies.

Grandfathered policies will continue to be subject to different definitions of small employer under state and federal law. Grandfathered policies are exempt from many of the PPACA insurance requirements, so current Florida small group coverage requirements would continue to apply to the same small employers, as currently defined, including those that are not small employers under federal law. However, some PPACA provisions apply to grandfathered policies, such as MLR refunds, and insurers will be required to use the federal definition of small employer for those provisions.

### **Use of Gender as a Rating Factor for Small Group Policies**

The PCB specifies that a small employer carrier is not required to use gender as a rating factor for nongrandfathered plans, which is prohibited under PPACA. The PCB resolves this potential conflict in state law that may prevent application of PPACA's rating requirements.

### **Consumer Assistance**

The PCB authorizes the Division of Consumer Services of DFS to respond to complaints by consumers relating to requirements of PPACA, as authorized under s. 20.121(2)(h), F.S., which provides the division's current statutory responsibilities to prepare and disseminate information to consumers as the division deems appropriate, provide direct assistance and advocacy to consumers, and require insurers to respond, in writing, to a complaint. The PCB further authorizes the division to report apparent or potential violations to OIR and to HHS.

### **Dissolution of the Florida Comprehensive Health Association**

The guaranteed-issue requirement of PPACA makes a state high-risk pool unnecessary. The PCB requires the dissolution of the Florida Comprehensive Health Association (FCHA). Coverage for each FCHA policyholder would be terminated on June 30, 2014, or on the date that health insurance coverage is effective with another insurer, whichever is earlier. The FCHA would be required to assist each policyholder in obtaining health insurance coverage, including identification of insurers and HMOs offering coverage and other specified information. The FCHA would be required to provide a written notice to each policyholder by September 1, 2013, regarding termination of their coverage and information on how to obtain other coverage.

The PCB specifies that by March 15, 2015, the FCHA must determine the final assessment to be collected from member insurers or, if surplus funds remain, the refund to be provided to insurers based on the same pro-rata formula. The PCB specifies the actions the FCHA must take to dissolve the corporation by September 1, 2015, including transfer of all records to DFS as custodian. According to representatives of the FHCA, typical responsibilities would include providing copies of claims records to policyholders. The FCHA would be required to transfer any remaining funds (such as proceeds from the sale of assets) to the Chief Financial Officer for deposit in the General Revenue Fund.

All of the statutes that relate solely to the operations of the FHCA would be repealed, effective October 1, 2015, which is one month later than the Sept. 1, 2015 date that the FCHA must be dissolved.

### **Repeal of the Florida Health Insurance Plan**

The PCB repeals the statute that establishes the Florida Health Insurance Plan, which has never been implemented.

**B. SECTION DIRECTORY:**

- Section 1.** Creates s. 624.25, F.S., related to the Patient Protection and Affordable Care Act.
- Section 2.** Creates s. 624.26, F.S., related to the collaborative arrangement with the federal Department of Health and Human Services.
- Section 3.** Amends s. 624.402 F.S., to add definitions for “grandfathered health plan”, “nongrandfathered health plan”, and “PPACA”.
- Section 4.** Amends s. 627.410, F.S., related to rates for nongrandfathered health plans, required notice or premium effects, discontinuance of policy forms, and separating claims experience.
- Section 5.** Amends s. 627.411, F.S., related to not applying rating provisions to nongrandfathered health plans.
- Section 6.** Amends s. 627.642, F.S., to conform a statutory cross-reference.
- Section 7.** Amends s. 627.6425, F.S., related to nonrenewing individual coverage for nongrandfathered health plans.
- Section 8.** Amends s. 627.6484, F.S., related to dissolution of the Florida Comprehensive Health Association.
- Section 9.** Repeals s. 627.64872, F.S., related to the Florida Health Insurance Plan.
- Section 10.** Repeals ss. 627.648, 627.6482, 627.6484, 627.6486, 627.6488, 627.6489, 627.649, 627.6492, 627.6494, 627.6496, 627.6498, and 627.6499, effective October 1, 2015, related to the Florida Comprehensive Health Association.
- Section 11.** Amends s. 627.657, F.S., to conform a statutory cross-reference.
- Section 12.** Amends s. 627.6571, F.S., related to nonrenewing group coverage for nongrandfathered health plans.
- Section 13.** Amends s. 627.6699, F.S., related to the definition of small employer and rates used by small employer carriers.
- Section 14.** Amends s. 641.31, related to rates for health maintenance organization contracts for nongrandfathered health plans.
- Section 15.** Provides that except as otherwise expressed in the PCB, the effective date is upon becoming law.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None

2. Expenditures:

OIR will be authorized to perform additional duties to assist HHS in enforcing PPACA. OIR and DFS are required to prepare a report for their websites summarizing the notices from insurers of the impact of PPACA on health insurance premiums. Representative from OIR state that this can be done with existing resources.

For two years, OIR will not be required to approve or disapprove rate filings for nongrandfathered health plans. Representatives from OIR state that this will not reduce their need for current FTEs, given that major medical health insurance rate filings represent about 10 percent of the rate filings made, that rate filings will still be filed for approval for grandfathered health plans, and that the required filings (but not approval) for nongrandfathered plans will still need to be analyzed for

determining the impact of PPACA on rates and to prepare for the time when rate approval is reenacted in two years.

The fiscal impact of authorizing the Division of Consumer Services to assist consumers with PPACA-related complaints has not been determined and depends, in part, on the extent to which DFS would be assisting consumers with such complaints under its current law responsibilities (s. 20.121 (2)(h)).

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None

2. Expenditures:

None

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

Insurers issuing nongrandfathered health plans will be subject to the additional costs of preparing and providing the notice to policyholders of the impact of PPACA on premiums.

To the extent that the PCB allows insurers to take actions to preserve the status of grandfathered health plans, policyholders of such plans are less likely to be affected by the premium impact of changes that PPACA requires for nongrandfathered plans.

Conforming the definition of "small employer" to the federal definition, for nongrandfathered plans, should reduce administrative burdens for insurers in administering their policies. This change should not have any significant impact on the coverage for any individual or employer, given that coverage and rating requirements of PPACA will generally control over state law.

The impact of OIR not reviewing rates has an indeterminate impact on the private sector.

**D. FISCAL COMMENTS:**

None

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None

**B. RULE-MAKING AUTHORITY:**

Not applicable.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

None

#### **IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

On April 2, 2013, the Select Committee on PPACA adopted one amendment to the PCB. The amendment clarified the definition of a “nongrandfathered health plan” by providing that a nongrandfathered health plan does not provide the benefits or coverages for hospital indemnity or other fixed indemnity insurance, accident-only coverage, specified disease coverage, disability income insurance, limited scope dental or vision coverage, Medicare supplement coverage, long-term care or nursing home coverage, and other specified limited benefit coverages.

The PCB was reported favorably and this analysis reflects the PCB as amended.